



STATE OF ILLINOIS  
HEALTH FACILITIES AND SERVICES REVIEW BOARD

525 WEST JEFFERSON ST. • SPRINGFIELD, ILLINOIS 62761 • (217) 782-3516 FAX: (217) 785-4111

DOCKET ITEM: A-04	BOARD MEETING: January 24, 2017	PROJECT NUMBER: 12-032
<b>PERMIT HOLDERS(S):</b> Alden Estates of Shorewood I, LLC Shorewood Investments I, LLC Alden Courts of Shorewood, Inc. The Alden Group, Ltd.		
<b>FACILITY NAME and LOCATION:</b> Alden Courts of Shorewood, Shorewood		

**BOARD STAFF REPORT**  
**PERMIT RENEWAL REQUEST**

**I. Background**

On July 23, 2012, the State Board approved Project #12-032. The permit authorized the addition of 50 Long Term Care (LTC) beds to Alden Courts of Shorewood, an existing 100-beds skilled nursing facility in Shorewood. The State Board Staff notes the project is obligated, and the current project completion date is December 31, 2016. Project cost: \$10,428,798.

This recent renewal request was received by Board Staff on November 16, 2016. This is in accordance with 77 IAC 1130.740(d), which states that renewal requests must be received by the State Board Staff at least 45 days prior to the permit expiration date. A \$500.00 permit renewal fee accompanied the renewal request.

**II. Findings**

State Board Staff notes this is the permit holder's **third** renewal request. The previous renewal request history is outlined below, and it appears the permit holders have submitted all of the information required in Section 1130.740 for a third permit renewal.

1st Renewal Request: Approved on 4/4/2014, 18-month renewal (5/31/14 – 11/30/2015)

2<sup>nd</sup> Renewal Request: Approved on 2/16/2016, 13-month renewal (11/30/2015-12/31/2016)

### **III. The Permit Renewal Request**

- A. Requested Completion Date: The permit holders request a project completion date of August 30, 2017. This would extend the project's completion date by eight months, from December 31, 2016 to August 31, 2017.
- B. Status of the Project and Components Yet to be Finished: The permit holders state the construction phase of the project was completed in November 2016, and the licensure application was submitted to IDPH for review. IDPH licensure/nursing inspections remain, as well as issuance of a certificate of occupancy.
- C. Reason(s) Why the Project Has Not Been Completed: The permit holders' state the following events occurred, which delayed completion of the project:
- Project approval was delayed by three months, due to the State Board's issuance of an Intent to Deny for the project.
  - Approval of the architectural drawings took longer than initially anticipated.
  - The lending approval process for the HUD loan took longer than initially anticipated.
- D. Evidence of Financial Commitment to Fund the Project: The permit holders indicate that \$8,496,424 (approximately 81% of the total project cost) has been expended to date, and that sufficient financial resources exist to complete this project.
- E. Anticipated Final Cost of the Project: The permit holders note this project will be completed with costs within the approved permit amount of \$10,428,798.

### **IV. Project Description & Other Background Information**

The permit authorized the addition of 50 LTC beds to Alden Estates of Shorewood, an existing 100-bed skilled nursing facility in Shorewood. Project cost: \$10,428,798.

Permit Issuance Date:	July 23, 2012
Original Project Completion Date:	May 31, 2014
Project Obligation Date:	March 20, 2014
Proposed Project Completion Date: (1 <sup>st</sup> permit renewal request)	November 30, 2015 (18 months)
Proposed Project Completion Date:	December 31, 2016 (13 months)

(2<sup>nd</sup> permit renewal request)

Proposed Project Completion Date: August 31, 2017 (8 months)  
(3<sup>rd</sup> permit renewal request)

**V. Applicable Rules for Permit Renewal Requests**

77 IAC 1130.740 specifies that a permit holder may request a change in the approved project completion date by applying for a permit renewal.

77 IAC 1130.230(h)(5) states that failure to complete a project or to renew a permit within the prescribed timeframes will subject the permit holders to the sanctions and penalties provided in the Act and this Subpart.

77 IAC 1130.740(b) states that a permit renewal will commence on the expiration date of the original or renewed completion period.

77 IAC 1130.740(c) states that the State Board must be in receipt of a permit renewal request at least 45 days prior to the expiration date of the completion period, and include the following: 1) the requested completion date; 2) a status report on the project detailing what percent has been completed and a summary of project components yet to be finished and the amount of funds expended on the project to date; 3) a statement as to the reasons why the project has not been completed; and 4) confirmatory evidence by the permit holders' authorized representative that the project's costs and scope are in compliance with what the State Board approved and that sufficient financial resources are available to complete the project.

77 IAC 1130.740(d) states Board Staff will review the request and prepare a report of its findings. If the findings are that the request is in conformance with all HFSRB criteria, and if this is the first request for this project, then the request, Board Staff's findings, and all related documentation shall be sent to the Chairman. The Chairman, acting on behalf of HFSRB, will approve, deny or refer the request to the HFSRB for action. If Board Staff finds that all criteria are not positive or, if this is not the first request for this project, or if the Chairman refers this to HFSRB for action, then HFSRB will evaluate the information submitted to determine if the project has proceeded with due diligence (as defined in 77 IAC 1130.140). Denial of a permit renewal request constitutes HFSRB's Notice of Intent to revoke a permit and the permit holders will be afforded an opportunity for an administrative hearing.

**VI. Other Information**

Appended to this report are the following: the permit holders' documents for a permit renewal, and a copy of the original State Board Staff Report.



**ALDEN COURTS OF SHOREWOOD**

VIA UPS OVERNIGHT DELIVERY

November 15, 2016

Ms. Courtney Avery  
Administrator  
Illinois Health Facilities and Services Review Board  
525 W. Jefferson Street - 2<sup>nd</sup> Floor  
Springfield, IL 62761

**RECEIVED**

NOV 16 2016

HEALTH FACILITIES &  
SERVICES REVIEW BOARD

Subject: Alden Courts of Shorewood, Project No. 12-032 ("Project")  
Request for Permit Renewal

Dear Ms. Avery:

We respectfully request a four month permit renewal for our Project to allow us to complete the Project referenced above. On October 31, 2012, the Illinois Health Facilities and Services Review Board granted the Applicants a permit to establish a 50-bed skilled nursing facility in Shorewood. On April 4, 2014, the Board granted an extension of the Project completion date through November 30, 2015, and then later a second permit renewal was approved through December 31, 2016.

**Requested Completion Date**

We seek a four month extension to April 30, 2017.

**Status Report on Project and Statement as to Reasons Why the Project Has Not Been Completed**

Actual construction will be 100% complete by November 30, 2016. Our licensure application was submitted to Illinois Department of Public Health ("IDPH") and approved. Also, our package to the architect of IDPH has been submitted.

We will be awaiting the architects and licensure inspection surveys and it may run over our original completion date.

**Project's Cost and Scope**

The Project's cost and scope remain in compliance with the permit approved by the Services Review Board. Sufficient financial resources are available to complete the Project.

Enclosed please find the required \$500 application fee. Please let me know of any questions on this material, or if additional information needs to be provided.

Thanking you in advance for your assistance, we remain,

Respectfully,

ALDEN COURTS OF SHOREWOOD

By: Randi Schullo

Randi Schullo

cc: Mike Constantino, Supervisor of Project Review  
enclosure

4200 WEST PETERSON AVENUE CHICAGO, ILLINOIS 60646 (773) 286-388

Ref Nbr

Invoice Nbr

Inv Date

Invoice Amount

Amount Paid

Disc Taken

Net Check Amt

1378407	PermitExtension	11/15/16	500.00	500.00		500.00
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**RECEIVED**

NOV 16 2016

HEALTH FACILITIES &  
SERVICES REVIEW BOARD

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This document contains multiple security features. See reverse side for listing. 

12-032

Bank Leumi USA

100 North LaSalle St.  
Chicago, IL 60602CHECK # 

Alden Estates of Shorewood, LLC

4200 W. Peterson Ave

Chicago, IL 60646

Acct#: COURTS OF SHOREWOOD

Check Date

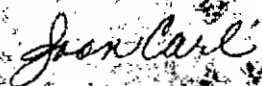
11/15/2016

Check Amount

\$ \*\*\*\*\*500.00

PAY Five Hundred and 00/100

Dollars

TO THE  
ORDER OFIL Dept of Public Health  
525 W. Jefferson St.  
Springfield, IL 62761

Authorized Signature



STATE OF ILLINOIS

HEALTH FACILITIES AND SERVICES REVIEW BOARD

525 WEST JEFFERSON ST. • SPRINGFIELD, ILLINOIS 62761 • (217) 782-3516 FAX: (217) 785-4111

DOCKET NO:	BOARD MEETING:	PROJECT NO: 12-032	PROJECT COST: Original: \$10,428,798 Current: \$
FACILITY NAME: Alden Courts of Shorewood		CITY: Shorewood	
TYPE OF PROJECT: Non-Substantive			HSA: IX

**DESCRIPTION:** The applicants (Alden Estates of Shorewood I, LLC, Shorewood Investments I, LLC, Alden Courts of Shorewood, Inc. and The Alden Group, Ltd.) propose to add 50 beds to an existing 100 bed skilled nursing facility in Shorewood. The total cost of the project is \$10,428,798. **The project completion date is May 31, 2014.**

**On July 23, 2012** the applicants received an intent to deny for this project. At that time the State Board expressed concern with the **availability of mortgage financing for this project**. The applicants stated that once a certificate of need is obtained, the applicants would apply to the U.S. Department of Housing and Urban Development ("HUD") to secure insured financing in the amount of \$6,000,000. As part of the HUD financing application process, a Certificate of Need is required to be obtained before approval of the HUD financing.

The applicants provided additional information including three letters; two letters from Cambridge Realty Capital Ltd. of Illinois ("Cambridge") and one from the U.S. Department of Housing and Urban Development ("HUD") in response to the intent to deny. These letters are attached at the end of this report.

The letters state in part:

*Cambridge is a HUD approved lender authorized to make mortgage loans pursuant to Section 232 of the National Housing Act. Mortgage financing from HUD provides fixed rate non-recourse, fully amortized low cost financing at terms and conditions more favorable than that which can be obtained from traditional sources such as Banks and Insurance Companies.*

*Cambridge has a 25 year history of providing first mortgage financing to Alden. Currently Cambridge owns approximately \$250,000,000 of first mortgage financing backed by Alden's health care facilities. Payments are always on time and the Alden Accounts have always been handled in a satisfactory manner. We provide the highest endorsement of Alden as our business relationship over many years has always been handled with the utmost competence, professionalism and honesty.*



STATE OF ILLINOIS

## HEALTH FACILITIES AND SERVICES REVIEW BOARD

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**HUD stated** *this letter is to confirm the Department of Housing and Urban Development through the Office of Healthcare Programs supports the application of Alden Courts of Shorewood.*

**This report will only discuss the criteria that were not met in the Original State Board Staff Report. At the conclusion of this report is the applicant's submittal, the Original State Board Staff Report, and the July 2012 State Board Transcripts.**





## EXECUTIVE SUMMARY

### PROJECT DESCRIPTION:

- The applicants (Alden Estates of Shorewood I, LLC, Shorewood Investments I, LLC, Alden Courts of Shorewood, Inc. and The Alden Group, Ltd.) propose to add 50 beds to an existing 100 bed skilled nursing facility in Shorewood. The total cost of the project is \$10,428,798. **The project completion date is May 31, 2014.**

### WHY THE PROJECT IS BEFORE THE STATE BOARD:

- The applicants are before the State Board because they are expanding the existing facility in excess of the lesser of 20 beds or 10% of total bed capacity.

### PURPOSE OF THE PROJECT:

- The purpose of the project is to provide **Alzheimer's Disease and Related Dementias** ("ADRD") services to the service area and address the calculated need for 689 long term care beds in the Will County Long Term Care Planning Area. The applicants are proposing to provide distinct and specialized care for the memory impaired population in a specific physical plant that follows ADRD programming.

### BACKGROUND:

- In April 2008 the applicants were approved to establish a 100 bed long term care facility and a 60 bed assisted living facility at a total cost of \$27,344,106 as Permit #07-102.
- In December 2011 the applicants altered the project reducing the cost of the project from \$27,344,106 to \$17,318,414 a decrease of \$10,025,692 and eliminating the assisted living facility from the project. Assisted living facilities are not reviewable by the State Board.
- In March 2012 this project was completed and licensed at a final cost of \$15,465,307.

### FINANCIAL AND ECONOMIC FEASIBILITY:

- The applicants are funding this project with cash and securities in the amount of \$4,428,798 and a proposed HUD insured mortgage in the amount of \$6,000,000. Based upon previously approved projects submitted by this applicant the cash portion of the project has been available and has been used to fund the cash portion of the projects.
- The HUD insured mortgage has not been secured and a letter from Cambridge Realty Capital Ltd. stated *"that they would entertain providing the construction and first mortgage for the new construction of the 50 bed skilled nursing facility in Shorewood, Illinois."* According to Cambridge *"the anticipated interest rate applicable to both the construction loan and the permanent loan will be 5.00%. The construction term is anticipated to be 15 months and the permanent loan term is anticipated to be 40 years."* The loan will be secured by the building.
- No safety net impact statement is required for long term care projects.

### CONCLUSIONS:

- There is a calculated need for 689 long term care beds in the Will County Planning Area and the applicants have documented that there is a demand for the beds and they will serve the planning area residents. The applicants have met the all criteria of the criteria related to the **need** for this project as required by the State Board.



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- Letters from HUD and Cambridge have been provided by the applicants that detailed their support for the project and the applicants' solid credit record. It would appear that debt financing will be available for this project as well.
- Based upon previously approved projects submitted by these applicants and additional information provided by the applicants it appears that sufficient funding is available to fund this project.
- The applicants addressed a total of 14 criteria and failed to meet the following:

State Board Standards Not Met	
Criteria	Reasons for Non-Compliance
<b>1125.800: Financial Viability Ratios</b>	The applicants provided projected ratios for both the operator and the owner of the real estate. No historical ratios are available for the operator and the owner of the real estate because this facility was licensed in March 2012. All projected financial ratios for CY 2015 have been met for the operator (Alden Courts of Shorewood, Inc). The owner of the real estate (Alden Estates of Shorewood I, LLC.) does not meet the projected ratios for both 2014 and 2015.



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**SUPPLEMENTAL**  
**STATE BOARD STAFF REPORT**  
**Alden Courts of Shorewood**  
**Shorewood**  
**PROJECT #12-032**

APPLICATION SUMMARY	
Applicants(s)	Alden Estates of Shorewood I, LLC, Shorewood Investments I, LLC, Alden Courts of Shorewood, Inc. and The Alden Group, Ltd.
Facility Name	Alden Courts of Shorewood.
Location	Shorewood
Application Received	March 22, 2012
Application Deemed Complete	March 22, 2012
Review Period Ended	May 23, 2012
Public Hearing Held	No
Can Applicants Request Deferral?	Yes
Review Period Extended by the State Board Staff?	No
Applicants' Modified the project?	No
Applicants Received an Intent to Deny?	Yes

**I. The Proposed Project**

The applicants (Alden Estates of Shorewood I, LLC, Shorewood Investments I, LLC, Alden Courts of Shorewood, Inc. and The Alden Group, Ltd.) propose to add 50 beds to an existing 100 bed skilled nursing facility in Shorewood. The total cost of the project is \$10,428,798. **The project completion date is May 31, 2014.**

**II. Summary of Findings**

- A. The State Board Staff finds the proposed project appears to be in conformance with the provisions of Part 1110.**
- B. The State Board Staff finds the proposed project does not appear to be in conformance with the provisions of Part 1120.**

**III. General Information**

The applicants are Alden Estates of Shorewood I, LLC, Shorewood Investments I, LLC, Alden Courts of Shorewood, Inc and The Alden Group, Ltd. The operating entity/licensee is Alden Courts of Shorewood, Inc. The owner of the site is



Alden Estates of Shorewood I, LLC. The facility is located at 700 West Black Road, Shorewood, in HSA IX, and the Will County Long Term Care Planning Area. The September 2012 Update to the Inventory of Health Care Facilities and Need Determination notes that there is a calculated need for 689 long term care beds. The project is non-substantive and subject to Part 1110 and Part 1120 review. Project obligation will occur after permit issuance.

**Summary of Support and Opposition Comments**

No public hearing was requested and no letters of support or opposition were received by the State Board Staff. Included in the application were 95 letters of support from residents, business leaders, local and state officials.

**IV. The Proposed Project – Details**

The applicants currently operate a 100-bed Long Term Care (LTC) facility in Shorewood. The applicants propose to construct a new one story building with 35,650 GSF of new space that specializes in patients with Alzheimer's other related dementia ("ADRD"). The new building will be connected to the existing facility through a service corridor in the lower level to the lower level in the existing facility. The new building will have a central mall with three wings serving different levels of memory impairment. One wing for early stage memory will contain 14 rooms that will have 11 private rooms and 3 rooms will be double beds. A second wing that will contain stage two ADRD patients will have 10 private rooms and 5 double rooms. The third wing that will contain stage three ADRD residents will have 1 private room and 6 double rooms. If the State Board should approve this project the facility will have a total of 150 long term care beds.

**V. Project Costs and Sources of Funds**

The applicants' provided the project costs for both clinical and non-clinical aspects of the proposed project. Table One shows the project costs and funding sources using these considerations. The project cost is \$10,428,798.

TABLE ONE			
Project Costs and Sources of Funds			
Project Costs			
	Clinical	Non-Clinical	Total
Preplanning	\$0	\$0	\$0
Site Survey and Soil Investigation	\$8,700	\$5,800	\$14,500



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TABLE ONE			
Project Costs and Sources of Funds			
Project Costs			
	Clinical	Non-Clinical	Total
Site Preparation	\$239,580	\$159,720	\$399,300
Off-Site Work	\$30,000	\$20,000	\$50,000
New Construction Contracts	\$4,356,000	\$2,904,000	\$7,260,000
Contingencies	\$435,000	\$290,400	\$725,400
Architectural and Eng. Fees	\$419,602	\$279,735	\$699,337
Consulting Fees	\$344,377	\$229,584	\$573,961
Movable of Other Equipment	\$242,880	\$161,920	\$404,800
Net Interest Expense	\$94,500	\$63,000	\$157,500
Other Costs to be Capitalized	\$86,040	\$57,300	\$143,340
<b>Total</b>	<b>\$6,256,679</b>	<b>\$4,171,459</b>	<b>\$10,428,138</b>
Sources of Funds			
Cash & Securities	\$2,657,279	\$1,771,519	\$4,428,798
Mortgage	\$3,600,000	\$2,400,000	\$6,000,000
	<b>\$6,257,279</b>	<b>\$4,171,519</b>	<b>\$10,428,798</b>

## VI. Cost/Space Requirements

Table Two displays the project's space requirements for the clinical and non-clinical portions of the project. The definition of non-clinical as defined in the Planning Act [20 ILCS 3960/3] states, "non-clinical service area means an area for the benefit of the patients, visitors, staff or employees of a health care facility and not directly related to the diagnosis, treatment, or rehabilitation of persons receiving treatment at the health care facility."

TABLE TWO				
Gross Square Footage Alden Courts of Shorewood				
Department	Cost	Existing	Proposed	New Construction
Clinical				
Nursing	\$ 4,529,805	26,772	42,257	15,485
Living/Dining/ Activity	\$ 1,335,413	4,625	9,190	4,565
Kithchen/Food Service	\$ 270,593	2,300	3,225	925
PT/OT	\$ -	3,150	3,150	0
Laundry	\$ -	750	750	0
Beauty/Barber Shop	\$ 108,237	0	370	370



TABLE TWO				
Gross Square Footage Alden Courts of Shorewood				
Department	Cost	Existing	Proposed	New Construction
Total Clinical	\$ 6,244,048	37,597	58,942	21,345
Non-Clinical				
Administrative	\$ 284,635	1,800	2,773	973
Employee Lounge	\$ -	650	650	0
Mechanical/Electrical	\$ 544,111	1,800	3,660	1,860
Lobby	\$ 156,803	766	1,302	536
Storage Maintenance	\$ 513,395	2,072	3,827	1,755
Corridor Public Toilets	\$ 2,420,125	14,744	23,017	8,273
Stair/Elevators	\$ 162,356	3,204	3,759	555
Amenities	\$ -	2,172	2,172	0
Chapel	\$ -	195	195	0
Housekeeping	\$ 103,326	300	653	353
Total Non-Clinical	\$ 4,184,751	27,703	42,008	14,305
Total Project	\$ 10,428,799	65,300	100,950	35,650

**X. 1125.800 –Availability of Funds**

The applicant shall document that financial resources shall be available and be equal to or exceed the estimated total project cost plus any related project costs by providing evidence of sufficient financial resources from the following sources, as applicable:

- a) Cash and Securities – statements (e.g., audited financial statements, letters from financial institutions, board resolutions) as to:
  - 1) the amount of cash and securities available for the project, including the identification of any security, its value and availability of such funds; and
  - 2) interest to be earned on depreciation account funds or to be earned on any asset from the date of applicant's submission through project completion;
- b) Pledges – for anticipated pledges, a summary of the anticipated pledges showing anticipated receipts and discounted value, estimated time table of gross receipts and related fundraising expenses, and a discussion of past fundraising experience. Provide a list of confirmed pledges from major donors (over \$100,000);



- c) **Gifts and Bequests – verification of the dollar amount, identification of any conditions of use, and the estimated time table of receipts;**
- d) **Debt – a statement of the estimated terms and conditions (including the debt time period, variable or permanent interest rates over the debt time period, and the anticipated repayment schedule) for any interim and for the permanent financing proposed to fund the project, including:**
  - 1) **For general obligation bonds, proof of passage of the required referendum or evidence that the governmental unit has the authority to issue the bonds and evidence of the dollar amount of the issue, including any discounting anticipated;**
  - 2) **For revenue bonds, proof of the feasibility of securing the specified amount and interest rate;**
  - 3) **For mortgages, a letter from the prospective lender attesting to the expectation of making the loan in the amount and time indicated, including the anticipated interest rate and any conditions associated with the mortgage, such as, but not limited to, adjustable interest rates, balloon payments, etc.;**
  - 4) **For any lease, a copy of the lease, including all the terms and conditions, including any purchase options, any capital improvements to the property and provision of capital equipment;**
- e) **Governmental Appropriations – a copy of the appropriation Act or ordinance accompanied by a statement of funding availability from an official of the governmental unit. If funds are to be made available from subsequent fiscal years, a copy of a resolution or other action of the governmental unit attesting to this intent;**
- f) **Grants – a letter from the granting agency as to the availability of funds in terms of the amount and time of receipt;**
- g) **All Other Funds and Sources – verification of the amount and type of any other funds that will be used for the project.**

The applicants are funding this project with cash and securities in the amount of \$4,428,798 and a proposed HUD insured mortgage in the amount of \$6,000,000. The applicants provided unaudited financial





statements and a statement from their chief financial officer that sufficient cash is available to fund the equity contribution.

The HUD insured mortgage has not been secured and a letter from Cambridge Realty Capital Ltd. stated *"that they would entertain providing the construction and first mortgage for the new construction of the 50 bed skilled nursing facility in Shorewood, Illinois."* According to Cambridge *"the anticipated interest rate applicable to both the loan the permanent loan will be 5.00%. The construction term is anticipated to be 15 months and the permanent loan term is anticipated to be 40 years."* The loan will be secured by the building.

Based upon the past record of this applicant and letters submitted from both HUD and Cambridge Realty Capital Ltd. it appears that sufficient cash and debt financing will be available to fund this project.

**THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH THE AVAILABILITY OF FUNDS CRITERION (77 IAC 1125.800).**

**XI. 77 IAC 1125.800 - Financial Feasibility**

- 1) Historical Financial Statements – The applicant shall provide (for the LTC facility or for the person who controls the LTC facility) the most recent three years' financial statements (if available) that include the following:**
  - A) Balance sheet;**
  - B) Income statement;**
  - C) Changes in fund balance; and**
  - D) Change in financial position.**
- 2) Financial and Economic Review Standard Ratios for New Facilities –The proposed project shall comply with the ratio standards cited in Appendix B. Applicants not in compliance with any of the viability ratios shall document the reasons for non-compliance.**

The applicants provided projected ratios for the first year after project completion. No historical ratios are available because this facility was





licensed in March 2012. The debt for this project is included on **Alden Estates of Shorewood I, LLC**, who owns the real estate. This entity does not meet the current ratio, the net profit margin, and cushion ratio for both years presented. The operator (**Alden Courts of Shorewood, Inc.**) does not have any debt and as such the long term debt to capitalization, debt service coverage, and cushion ratio is not applicable. This entity does not meet the current ratio, net margin percentage and days cash on hand for 2014. This entity does meet all ratios for 2015.

TABLE THREE			
Financial Ratios			
Alden Estates of Shorewood I, LLC	Standard	2014	2015
Current Ratio	1.5	0.27	0.27
Net Profit Margin	2.5	-44.19%	-28.59%
Long term Debt to Capitalization	<80%	54.45%	55.08%
Debt Service Coverage	1.5	1.1	1.28
Days of Cash on Hand	45	148.63	122.66
Cushion Ratio	3	0.12	0.14
Alden Courts of Shorewood, Inc.	Standard	2014	2015
Current Ratio	1.5	1.27	2.02
Net Profit Margin	2.5	-5.50%	13.22%
Long term Debt to Capitalization	<80%	NA	NA
Debt Service Coverage	>1.5	NA	NA
Days of Cash on Hand	45	40.34	102.9
Cushion Ratio	3	NA	NA

**THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT DOES NOT APPEAR TO BE IN CONFORMANCE WITH THE FINANCIAL FEASIBILITY CRITERION (77 IAC 1125.800).**

## **XII. Review Criteria - Economic Feasibility**

### **A. Criterion 1125.800 - Reasonableness of Financing Arrangements**

The criterion states:

**"This criterion is not applicable if the applicant has documented a bond rating of "A" or better pursuant to Section 1120.210. An applicant that**



has not documented a bond rating of "A" or better must document that the project and related costs will be:

- 1) funded in total with cash and equivalents including investment securities, unrestricted funds, and funded depreciation as currently defined by the Medicare regulations (42 USC 1395); or
- 2) funded in total or in part by borrowing because:
  - A) a portion or all of the cash and equivalents must be retained in the balance sheet asset accounts in order that the current ratio does not fall below 2.0 times;
  - B) or borrowing is less costly than the liquidation of existing investments and the existing investments being retained may be converted to cash or used to retire debt within a 60 day period. The applicant must submit a notarized statement signed by two authorized representatives of the applicant entity (in the case of a corporation, one must be a member of the board of directors) that attests to compliance with this requirement.
  - C) The project is classified as a Class B project. The co-applicants do not have a bond rating of "A". No capital costs, except fair market value of leased space and used equipment, are being incurred by the co-applicants."

The applicants have attested that the form of debt financing (a HUD insured mortgage) is less costly than the liquidation of existing investments and the existing investments being retained and converted to cash or used to retire debt within a 60 day period. The applicants have met the requirements of this criterion.

**THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT TO BE IN CONFORMANCE WITH THE REASONABLENESS OF FINANCING CRITERION (77 IAC 1125.800).**

**B. Criterion 1125.800(b) - Conditions of Debt Financing**

**This criterion states:**

**"The applicant must certify that the selected form of debt financing the project will be at the lowest net cost available or if a more costly form of financing is selected, that form is more advantageous due to such terms as prepayment privileges, no required mortgage, access to additional indebtedness, term (years), financing costs, and other factors. In addition, if all or part of the project involves the leasing of equipment or facilities, the applicant must certify that the expenses incurred with**



leasing a facility and/or equipment are less costly than constructing a new facility or purchasing new equipment. Certification of compliance with the requirements of this criterion must be in the form of a notarized statement signed by two authorized representative (in the case of a corporation, one must be a member of the board of directors) of the applicant entity."

The applicants are funding this project with cash and securities in the amount of \$4,428,798 and a proposed HUD insured mortgage in the amount of \$6,000,000. The HUD insured mortgage has not been secured and a letter from Cambridge Realty Capital Ltd. stated *"that they would entertain providing the construction and first mortgage for the new construction of the 50 bed skilled nursing facility in Shorewood, Illinois."* According to Cambridge *"the anticipated interest rate applicable to both the construction loan and the permanent loan will be 5.00%. The construction term is anticipated to be 15 months and the permanent loan term is anticipated to be 40 years."* The loan will be secured by the building.

The applicants have provided the necessary documentation to meet this criterion.

**THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT TO BE IN CONFORMANCE WITH THE TERMS OF DEBT FINANCING CRITERION (77 IAC 1125.800).**

**C. Criterion 1125.800(c) - Reasonableness of Project Cost**

The criteria states:

**"1) Construction and Modernization Costs**

Construction and modernization costs per square foot for non-hospital based ambulatory surgical treatment centers and for facilities for the developmentally disabled, and for chronic renal dialysis treatment centers projects shall not exceed the standards detailed in Appendix A of this Part unless the applicants documents construction constraints or other design complexities and provides evidence that the costs are similar or consistent with other projects that have similar constraints or complexities. For all other projects, construction and modernization costs per square foot shall not exceed the adjusted (for inflation, location, economies of scale and mix of service) third quartile as provided for in the Means Building Construction Cost Data publication unless the applicants documents construction constraints or other



design complexities and provides evidence that the costs are similar or consistent with other projects that have similar constraints or complexities.

**2) Contingencies**

Contingencies (stated as a percentage of construction costs for the stage of architectural development) shall not exceed the standards detailed in Appendix A of this Part unless the applicants documents construction constraints or other design complexities and provides evidence that the costs are similar or consistent with other projects that have similar constraints or complexities. Contingencies shall be for construction or modernization only and shall be included in the cost per square foot calculation.

**BOARD NOTE:** If, subsequent to permit issuance, contingencies are proposed to be used for other line item costs, an alteration to the permit (as detailed in 77 Ill. Adm. Code 1130.750) must be approved by the State Board prior to such use.

**3) Architectural Fees**

Architectural fees shall not exceed the fee schedule standards detailed in Appendix A of this Part unless the applicants documents construction constraints or other design complexities and provides evidence that the costs are similar or consistent with other projects that have similar constraints or complexities.

**4) Major Medical and Movable Equipment**

**A)** For each piece of major medical equipment, the applicants must certify that the lowest net cost available has been selected, or if not selected, that the choice of higher cost equipment is justified due to such factors as, but not limited to, maintenance agreements, options to purchase, or greater diagnostic or therapeutic capabilities.

**B)** Total movable equipment costs shall not exceed the standards for equipment as detailed in Appendix A of this Part unless the applicants documents construction constraints or other design complexities and provides evidence that the costs are similar or consistent with other projects that have similar constraints or complexities.

**5) Other Project and Related Costs**

The applicants must document that any preplanning, acquisition, site survey and preparation costs, net interest expense and other estimated costs do not exceed industry norms based upon a comparison with similar projects that have been reviewed."



**Site Preparation/Site Survey and Soil Investigation** – These costs total \$248,280 or 5% of construction and contingency costs. This appears reasonable compared to the State Board standard of 5%.

**Offsite Work** – These costs total \$30,000. The State Board does not have a standard for these costs.

**New Construction and Contingencies** – This cost is \$4,791,000 or \$224.46 per GSF. This appears reasonable when compared to the adjusted State Board standard of \$231.86 per GSF.

**Contingencies** – This cost is \$435,000 or 9.9% of new construction costs. This appears reasonable when compared to the State Board standards of 10-15% for modernization.

**Architectural and Engineering Fees** – This cost is \$419,602 or 8.75% of construction and contingency costs. This appears reasonable when compared to the State Board standard of 6.42-9.64%.

**Consulting and Other Fees** – These costs total \$344,377. The State Board does not have a standard for these costs.

**Movable Equipment** – These costs total \$242,880, which totals \$4,858 per bed. This is reasonable compared to the State Board Standard of \$6,491 per bed.

**Net Interest Expense During Construction** – These costs total \$94,500. The State Board does not have a standard for these costs.

**Other Costs to be Capitalized** – These costs total \$86,040. The State Board does not have a standard for this cost.

**THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT APPEARS TO BE IN COMPLIANCE WITH THE REASONABLENESS OF PROJECT COSTS CRITERION (77 IAC 1125.800).**

**D. Criterion 1125.800(d) - Projected Operating Costs**

**The criterion states:**

**“The applicants must provide the projected direct annual operating costs (in current dollars per equivalent patient day or unit of service) for**



**the first full fiscal year after project completion or the first full fiscal year when the project achieves or exceeds target utilization pursuant to 77 Ill. Adm. Code 1100, whichever is later. Direct cost means the fully allocated costs of salaries, benefits, and supplies for the service."**

The applicants note Annual Operating Costs/per patient day of \$220.05. The State Board does not have a standard for this cost.

**THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT TO BE IN CONFORMANCE WITH THE PROJECTED OPERATING COSTS CRITERION (77 IAC 1125.800).**

**E. Criterion 1125.800(e) - Total Effect of the Project on Capital Costs**

**The criterion states:**

**"The applicants must provide the total projected annual capital costs (in current dollars per equivalent patient day) for the first full year after project completion or the first full fiscal year when the project achieves or exceeds target utilization pursuant to 77 Ill. Adm. Code 1100, whichever is later."**

The applicants report Projected Annual Operating Capital Costs of \$54.41 per equivalent patient day. The State Board does not have a standard for this cost.

**THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT TO BE IN CONFORMANCE WITH THE TOTAL EFFECT OF THE PROJECT ON CAPITAL COSTS CRITERION (77 IAC 1125.800).**